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Economic Conditions
Governmental Finance
United States Securities

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General Business Conditions

THE war in Europe has moved through its second month without throwing much additional light upon the questions which are perplexing observers in this country. In the military sphere the precedents of 1914 evidently count for as little as in economic matters, and the military situation puzzles even the experts. Thus far the character of the war has supplied little reason for expecting increases in the demand for goods and commodities in any way comparable with those of 1914-18, even without considering the rationing of consumers, the greater self-sufficiency of producers, and the other influences tending to reduce the belligerents' purchases. Yet a development as clearly within the possibilities as an onslaught by the German air force upon the British factories, if at all successful, might change the Allied buying program almost overnight.

Developments in Foreign Trade

The Allies are placing some orders in this country, notably those of the French for motor trucks and machinery, and are studying the markets. Of course they will buy all the airplanes and equipment they can get after the arms embargo is repealed, which the Senate vote has made virtually certain. The lack of precipitate buying is welcome, for if it had come along with the domestic orders in September it would have added gravely to the demands on our factory capacity, caused delivery congestion, and hence multiplied the effects on prices. As it is, whatever buying is done in the first year will enter our markets after the peak of domestic demand is satisfied, and will provide support when it is most useful.

Moreover, careful preparations will mean better organization. In the early stages of Allied buying in the last war duplicate orders, competitive bidding and almost reckless disregard of economy by certain purchasers added fuel to the price explosion. The lesson has been learned, and sellers as well as buyers will benefit from the exercise of sound business methods, helpful in keeping order in the markets.

No dependable conclusions can yet be drawn as to the prospects for our export trade to neutral countries, but it is plain that the chief uncertainty is the ability of these countries to pay for what they would like to have. Inquiries and orders have increased, from Latin-America, Russia, Japan, which has pegged the yen to the dollar instead of to the pound sterling as formerly, and from some of the smaller European countries. The metal products, machinery and food trades have had much of the early increase in business, for naturally the belligerents have withdrawn their offerings in these lines more than others. Of course part of the increase in demand is from our regular customers for their usual purchases; it is the same kind of buying, stimulated by price rises, that has occurred in domestic markets, and will taper off in the same way.

It would be a mistake to assume that the British are easily surrendering their Latin-American markets, or even that the Germans are giving up without struggling to make deliveries through neutral countries, especially Italy. Great Britain continues to drive her textile production hard, and British sources declare the intention to give export trade priority over all but vital war industries, in order to obtain foreign exchange and to avert permanent loss of export markets.

The September merchandise exports of the United States exceeded those of a year ago by $42,000,000, or 17 per cent. As compared with August, the increase of $33,000,000 or 15 per cent was about seasonal, which is perhaps a satisfactory showing in view of the loss of trade with the German area. Over one-third of the increase from last year was in raw cotton, shipped under the subsidy plan, and much of the remainder in metals and metal products and foods. The gain over August was principally in agricultural products, not only cotton but dried and canned fruits and lard. The merchandise export excess was $108,000,000 against $79,000,000 a year ago, which emphasizes the unfavorable balance that buyers of our goods will have to meet, especially as our tourist

expenditures abroad, through which foreign countries acquire dollars, will be diminished.

Domestic Markets Quieter

The chief development in domestic business during the month has been the abatement of the fear of sharp price advances, and a general moderation of the forward buying of commodities and the market excitement which prevailed in September. Business was almost swept off its feet during the period after the declaration of war, due to the assumption that the great rise in prices and export orders in 1916 and 1917 would be repeated and come much earlier. The more prudent elements were reluctant to accept this assumption, in view of the pronounced differences between the situations then and now. However, it was hard at first to oppose the trend, for the flood of orders reached all the industries, and all had to cover requirements, in most cases far larger than they had counted on. Overnight a business upswing almost unprecedented in speed was under way, and with little time to protect themselves buyers faced price advances, and feared others would follow.

Gradually, however, the market confusion has subsided. Of course the buying move slackened of its own accord, once requirements were covered and buyers had lengthened their commitments as far as they intended. However, second thoughts as to the business outlook also have played a part in slowing down the rush. With more time to reflect, business men have been more impressed by the uncertainties. They do not know how long the war will last, whether it will spread, how great the consumption and destruction of materials will be, or what share of the orders from belligerents and neutrals the United States will get. They have given more heed to the authoritative opinions that supplies of staple commodities are abundant, or can be increased readily even under war conditions. The peak of prices in these commodities, both in the averages and in most individual cases, was reached within two or three weeks after the move started, and during October the trend has been sideways or reactionary.

Security markets have reflected the quieting down. Stock prices have made no progress since their first uprush. According to past relationships the price averages appear low in comparison with the production and earnings assured for the fourth quarter, but investors evidently are looking beyond the rise in sales and output, to the reaction which they fear may follow after inventories are replenished.

Business Leaders Counsel Moderation

The steadiness of business leaders through this period, and their share in calming the markets, should receive the credit due. From the beginning of the buying move they counseled moderation and in many cases have tried to enforce it, by allocation of sales. They warned against overbullish interpretations of the commodity price outlook, or of prospective export trade. Almost spontaneously they adopted the view that if war orders mounted domestic needs should be cared for first, and shortages and precipitate price rises avoided. Particularly they have emphasized the danger that advances in prices would increase living costs and supply a basis for wage demands, thus setting up a vicious circle; and they have been unanimous in describing the instability of war orders and profits and the inevitable losses in the post-war readjustments.

Of course prices must rise if costs rise more than can be absorbed through increased volume or efficiency, but business price policies have been conservative. In many cases prices have been maintained despite rising costs. The automobile industry is offering its 1940 models at less than a year ago, and one of the tire companies has reduced prices despite the higher rubber market. The steel industry since the war began has faced net increases of $6.25 a ton in scrap, $2 in pig iron, $20 in ferro-manganese, $1.25 in coke, and similar rises in other materials. So far steel price increases have been confined to some of the smaller non-integrated companies, and to elimination of concessions previously made. Prices for the first quarter of next year have not been announced at this writing, but observers say they will be moderate, in contrast with the higher cost of materials.

It goes without saying that these policies are not only in the interest of the country generally but of business itself. A war boom running without restraint, and followed by the inevitable depression, would devastate all business.

Moreover, the industries should have credit for their attack upon the bottlenecks in production, and their success in keeping goods moving and supplying demands. Full production and free movement of goods is the first essential to avert runaway prices. The value of the investments made in new and more efficient equipment during the depression years is demonstrated. The automobile industry, and the tire company mentioned, could not have reduced prices except for their achievements in reducing costs, through plant improvements and technical progress.

The steel industry has spent a billion dollars since 1934, a great part for new rolling mill capacity, and there were critics who said the installations were running beyond conceivable needs and would pile up the usual problems of over-capacity. However, for several years past the consumers of rolled products have benefitted from the new equipment through lower prices, and now they benefit through the ability to get steel in a boom period, and still at low prices. The accomplishments of the steel in-

dustry in recent weeks deserve praise. It brought production from 59 per cent of capacity at the beginning of September to 84 at the end, and further to above 90 per cent by the middle of October; and in September alone it put 44,000 men back to work.

The Railroad Accomplishment

The accomplishment of the railroads is no less praiseworthy, for the roads faced the unforeseen rise of traffic with substantially less equipment ready than they had in the last period of equivalent demands, which was in 1936-37. At the end of August they expected that the peak of car loadings in any week this Fall would be around 750,000, for which they had available 1,612,689 freight cars in good order, also 225,798 undergoing or awaiting repairs. Suddenly they have been called upon to handle a sharp rise in traffic, and a peak 15 per cent or more above estimates, loadings having reached 861,000 cars in the week ended October 21st. So far the traffic has been carried with only negligible car shortages or delays, and with the peak probably at hand it is evident that there will be no appreciable difficulties. To meet the demands the roads had to increase their car repair work to capacity, and by October 27 they had reduced their bad-order freight cars by 42,000, according to official reports.

Meanwhile, new railway equipment orders have reached the highest levels since 1936, at least. It seems likely that total freight cars ordered in 1939 will be around 65,000, most of the orders having been placed since September 1st. "Iron Age" estimates orders for rails at approximately a million tons, and total purchases of railway steel to be shipped before next Spring at the equivalent of 2,400,000 tons of ingots. The railroads give testimony to the cooperation of shippers in moving the traffic, loading to the maximum tonnage, and loading and unloading promptly. As in steel, the customers of the railroads have the benefit of the technical improvements in equipment and operations, as evidenced by the increased capacity of the average car, the higher tractive power of locomotives, and the longer and faster freight trains.

Production Reaching Record Levels

These are but two of the industries which have met the sudden demands upon them in an orderly manner. The following table gives the principal figures on production that are available by weeks, also commodity prices, since the latter part of August.

The Federal Reserve index of industrial production for September was 110 compared with 103 in August, and the increase in October apparently has been greater. In many industries November output will exceed October and the seasonal slackening toward the end of the year will be less than usual. This points

Week Ended	Steel Mill Operations % of Capacity	Elec. Power Output Mills. k.w.h.	Bit. Coal Prod. Thous. Tons	Freight Car Loadings Thous.	Staple Commodity Prices Moody's Index*
Aug. 26	62.2	2,355	7,695	689	141.3
Sept. 2	63.0	2,357	8,080	722	146.9
" 9	58.6	2,290	7,627	667	167.5
" 16	70.2	2,444	8,944	806	169.1
" 23	79.3	2,449	9,200	815	172.5
" 30	83.9	2,470	9,994	835	168.7
Oct. 7	87.5	2,465	10,175	835	167.5
" 14	88.6	2,495	10,430	845	166.9
" 21	90.3	2,494	10,450	861	167.2
" 28	90.2				163.9

*Close of each week.

to a level of industrial production higher than at the peak in 1936-37, and possibly equal to the high of 1929, which was 125 in June according to the Federal Reserve index (1923-25 = 100). Considering the growth of population, however, per capita output will fall considerably short of the 1929 level.

Mill consumption of cotton in October possibly has reached 700,000 bales, which is close to the biggest month on record. Many woolen mills are at capacity on Spring fabrics, with heavy orders on hand. Automobile output has been held back by the Chrysler strike, but even without one of its three largest producers the industry has been turning out 75,000 or more cars a week, all quickly taken by dealers whose retail sales are encouragingly greater than in the model introduction period a year ago. An increase to 100,000 a week or higher is expected when the strike ends. Paper and glass manufacturers have stepped up production. Mining operations have expanded not only in coal but in the non-ferrous metals, responding to unfilled orders although current sales have slackened.

Retail trade improved in the latter part of September, and has held its gains in October. Department store dollar sales are within 3 per cent of the 1937 peak, according to the Federal Reserve Board's seasonally adjusted index, and as prices are lower the movement of merchandise must be considered satisfactory. Moreover, mail order houses and merchandise chains have done better than department stores. The evidence is that distribution is running closer to production than in 1936-37, and that large distributors have made their commitments more conservatively than at that time.

Many of the capital goods industries have had a strong pickup, with orders for railway and utility equipment the largest since the 1936-7 period at least. Machine tool orders placed during September are reported the largest on record, though publication of the official figures has been suspended. Shipbuilding and airplane manufacturing are at capacity and apparently will continue so for the duration of the war. All capital goods lines have improved export business or inquiries.

Building contract awards in September were the highest since April, and 7.4 per cent above the same month last year. Total awards

dropped somewhat in the first two weeks of October; but private contracts continued to rise. Mortgages accepted for insurance by the F.H.A. have continued high, and in the week ended Oct. 21 were the largest recorded with one exception. This is the best indication that private building is not entering a slump. It is possible, of course, that some contracts are being rushed, for fear of cost increases later.

Expectations of Reaction

An immense amount of thought and analysis is being devoted to the business situation, with much of the emphasis upon the danger of a serious reaction from the rise in production thus described. Business men know that after as sharp a rise a letdown is usual, due to the readjustment of production after inventories are replenished. Recent business history supplies precedents by which to study spontaneous buying movements of this kind, notably the rush in the Spring of 1933, which was stimulated by the price-raising programs of that time; and in that case, and every other, a reaction followed the forward buying.

Evidently the reaction is not imminent, inasmuch as the industries hold unfilled orders which will keep them busy into the first quarter in many cases; the market excitement has been quieted; price advances have been held within moderate limits; and the inventory accumulations that are expected to cause the trouble are still only prospective in most cases. It would be unwarranted to say that the rise in staple commodity prices to date has harmed the business outlook. The net price rise since August 31 has been around 17 per cent, according to Moody's index, but this leaves prices one-fourth lower than at the 1937 peak. The rise has improved the price equilibrium, for raw materials had been too low in relation to finished goods; and many times when this has been the case the signal for business improvement has been given by a rise in raw materials, which starts purchasing power, originating with the farmers and other producers, flowing around the circle.

Nevertheless the warnings are appropriate, not only as a counsel of moderation, but to direct attention to the policies that may keep the drop, if it comes, within bounds. Of course if war exports rise sharply they will absorb the increased production, but business does not want to be at the mercy of uncertain war demands. Continued building up of inventories, through further forward buying, would prolong the boom, but only defer the reckoning.

There can be no possible disagreement as to the objective which all elements in business, labor and government should now strive for, namely, the sound recovery of domestic business. The hope in the current situation is for improvement that is independent of war orders and can hold without them. If costs are kept down and prices held at levels which consumers can afford to pay for goods, the first essential to keep trade moving will be realized. This is the challenge to business, which the leaders are meeting as already described.

The second essential is to keep the capital goods improvement going. This is the opportunity in the present situation, and a promising start has been made, as indicated by the equipment, machine tool and building reports already noted. If capital goods production improves substantially there will be no reason for worry as to retail buying power or absorption of the output of consumers' goods.

It follows from the foregoing that there would be no more certain way of assuring that the improvement would be only temporary than to establish fresh controls or interferences with business, of a character either to raise costs or to prevent efficient producing concerns from making a fair profit. The inclusion in prices of a normal profit, in times of normal business, does not endanger trade. On the contrary, it strengthens the basis of trade, which thrives most when equitable relationships exist among all elements in the economic system. To maintain capital goods improvement profit is vital. Expectation of a fair return is not the only element influencing enterprise and new investment, but fundamentally it is the most important.

The improvement in bond prices during October is one of the most reassuring of recent developments. It has shown that the September sellers were taking counsel of their fears, rather than of the supply and demand for money, and the improvement was necessary if capital issues are to resume, to facilitate the capital investment needed.

It should be added, in conclusion, that investment in new plant to meet war orders is not the type desired, unless the plant can support itself in peacetime also. Wartime expansion is an element of instability, accentuating both boom and depression. All testimony indicates that business men will move carefully in this respect.

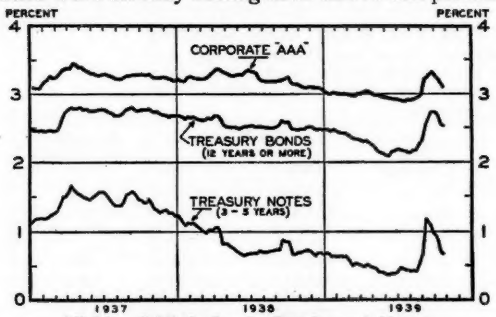
Money and Banking

The chief development of the past month in the financial markets has been the substantial recovery in high grade bonds and indications that investors are taking a calmer view of the future of interest rates. When the war broke out a great many holders of bonds, fearing a rise of interest rates and uncertain as to how rapid it might be, dumped their securities on the market, causing one of the severest setbacks to prices that has been experienced since the depression.

The period of panicky selling, however, proved to be short-lived, as investors had opportunity to appraise the situation more fully. With the failure of commodity prices to extend

their first rapid advances and with doubts arising as to the duration and destructiveness of the war, bond holders soon got over their first fright and began to think again of basic money conditions, as they are reflected in more than $5,500,000,000 of surplus reserves of member banks of the Federal Reserve System. While there is no disposition to doubt that a long war, with inflation and great wastage of capital, would eventually affect interest rates, there has been less tendency to discount future events, with all their uncertainties, far in advance.

The result of this change of psychology, along with the natural rebound, was to enable bond prices in many instances to recover up to 50 per cent or more of their previous loss. As shown by the accompanying diagram, yields of Treasury notes have receded more rapidly from the September peak than have those of the longer term Treasury bonds, indicating an investor preference for shorter maturities that is logical under the circumstances. It will be seen also that the yields of high grade corporates depicted in the diagram rose less steeply under the impact of war than did those of government obligations, notwithstanding the active support accorded the government market by Federal Reserve Bank and Treasury agency buying. One reason for this may be found in the less rapid decline of corporate bond yields last Spring when many of these issues were already selling at or above call prices.



Yields of High Grade Bonds and Notes.
(Weekly averages; latest, week ended Oct. 28. Corporate bond yields from Moody's Investors Service.)

Foreign dollar obligations, which were hit particularly hard at the outbreak of war, rallied strongly along with domestic bonds, as indicated by the accompanying table giving the range for representative issues since August 18.

Fluctuations in Foreign Bond Prices

Issue	Price Aug. 18	Low Since Aug. 18	Oct. 28
Antwerp 5's '58	89	60⅛	66½
Australia 5's '55	96⅜	53	76½
Belgium 7's '55	110½	71⅛	91½
Brisbane 5's '57	90⅜	60⅛	73
Canada 5's '52	109	95½	103
Can. Natl. Ry. 4½'s '56	116⅜	86	99¾
Denmark 4½'s '62	81	51	55⅝
Finland 6's '45	106⅝	71½	84
French 7½'s '41	108⅝	78⅛	103¼
Italy 7's '51	58⅛	45¾	61½
Japan 5½'s '65	51	50	62½
Norway 4½'s '56	103½	72¼	85
Oriental Develop. 6's '53	49⅛	49⅛	56
Queensland 6's '47	103⅛	55¼	82

Resumption of Treasury Financing

Further evidence of the passing of the emergency situation in the bond market appeared in the resumption by the Treasury of new financing following a period of suspended operations due to the war crisis. The first test of the market came in the offering of something over $200,000,000 of Commodity Credit Corporation government guaranteed notes for 2 years at 1 per cent in exchange for a similar amount of ¾ per cent notes maturing November 2. With this conversion practically a 100 per cent success, the Treasury undertook the refinancing of $526,000,000 of 1⅜ per cent Treasury notes maturing December 15, offering in exchange new 1 per cent notes running for nearly 4½ years. The new issue, which was accepted to the extent of $515,000,000 of the maturing notes, cost the Treasury ¼ of 1 per cent more than the note financing done last June, but with that exception the 1 per cent coupon is around record low levels for Treasury securities of comparable maturity.

In the absence of other cash financing, the Treasury in recent weeks has been replenishing its cash balances by lifting its weekly bill offerings $50,000,000 in excess of maturities, but with the improvement in general market conditions has announced plans for marketing $250,000,000 of Reconstruction Finance Corporation notes, the proceeds to be used for liquidating R.F.C. indebtedness to the Treasury. As these funds are paid into the Treasury they have the same effect as direct Treasury financing, tending to increase the Government's cash balance correspondingly.

The market for new municipal and corporate issues continued generally quiet during the month. The strengthening of prices, coupled with the announcement of proposed New York City borrowing in November and registration with the S.E.C of a large utility issue, was regarded as affording a more hopeful prospect for the future.

Other Banking Changes

Other principal banking changes may be reviewed briefly. At $5,530,000,000, excess reserves were up $200,000,000 on the month, mainly as a result of gold receipts and Treasury disbursements from balances in the Reserve Banks. Central bank open market operations, which had been a large factor in increasing excess reserves in September, tended to reduce them in October, owing to the policy adopted by the Reserve banks of permitting a portion of their Treasury bill holdings to mature without replacement. Monetary gold holdings of the Treasury exceeded $17,000,000,000 for the first time.

Loans of reporting banks for commercial, industrial and agricultural purposes increased further in October, though less rapidly than in September. Altogether since the beginning of August this classification of loans has expanded approximately $400,000,000, a good part of which evidently represents term loans rather than commercial borrowing in the ordinary sense. Notwithstanding the substantial pick up that has taken place in business volume, the demand for genuine commercial loans continues very moderate.

Third Quarter Profits

Reports of leading industrial companies for the third quarter and nine months show sharp gains as compared with 1938, when earnings had fallen to a low level, or in many instances disappeared entirely. Earnings of most companies, however, were still considerably below the level of the relatively good years 1936-37.

Our tabulation of statements issued to date by 320 companies for the third quarter shows combined net profits, less deficits, of approximately $201,000,000 after taxes, which is practically the same as in the second quarter and is almost double the $104,000,000 reported in the third quarter of last year.

Earnings for Nine Months

For the first nine months, combined net profits of these companies amounted to $589,000,000 as against $296,000,000 in the corresponding period last year. Net worth of the group aggregated $10,488,000,000 on January 1, 1939, upon which the nine months' profits were at the annual rate of 7.5 per cent, against a rate of 3.7 per cent for the corresponding period last year on a slightly larger capital. The accompanying summary by major industrial groups gives comparative figures for the two years.

Owing to the low level of profits a year ago, the sharp percentage gains tend to exaggerate the degree of recovery in many lines of business, including iron and steel, machinery, equipment, automobiles and parts, textiles and apparel. Moreover, about one-third of the leading companies in our tabulation were operating at a deficit in the first nine months of last year, whereas in the same period this year only one-eighth were in the red. Rate of return upon capital by many representative companies this year is still relatively low.

As pointed out heretofore, the financial results of a limited number of leading companies, whose securities are listed on the exchanges and which publish prompt reports of earnings, are useful for indicating trends, but do not provide an accurate measure of average rate of earnings for business as a whole. The latter can be found only in the Treasury Department "Statistics of Income," a new summary of which is given in this issue.

PROFITS OF LEADING CORPORATIONS FOR THE FIRST NINE MONTHS

Net Profits Are Shown After Depreciation, Interest, Taxes, and Other Charges and Reserves, but Before Dividends. — Net Worth Includes Book Value of Outstanding Preferred and Common Stock and Surplus Account at Beginning of Each Year.

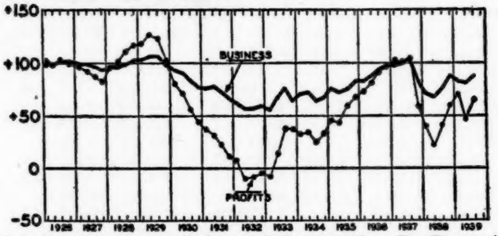
(In Thousands of Dollars)

		Net Profits Nine Months		Per Cent	Net Worth January 1		Annual Rate of Return %	
No.	Industrial Groups	1938	1939	Change†	1938	1939	1938	1939
7	Baking	$16,613	$ 16,146	— 2.8	$244,385	$254,847	9.1	8.5
18	Food products—misc.	54,024	60,973	+12.9	654,444	676,336	11.0	12.0
7	Beverages	7,314	7,000	— 4.3	100,076	113,788	9.7	8.2
14	Textiles and apparel	D-1,368	5,960	+	99,170	98,673	......	8.0
11	Paper products	2,499	4,385	+75.5	145,202	145,506	2.3	4.0
17	Chemical products	59,335	105,538	+77.9	1,137,682	1,174,573	7.0	12.0
10	Drugs, soap, etc.	24,158	35,091	+45.3	212,267	208,930	15.2	22.4
13	Petroleum products	44,283	30,642	—30.8	979,402	990,914	6.0	4.1
15	Stone, clay and glass	13,170	25,027	+90.0	369,606	363,835	4.7	9.2
1	Iron and steel—U. S. Steel	D-12,150	12,391	+	1,592,212	1,298,907	......	1.3
24	Iron and steel—other	D-17,835	25,811	+	1,364,097	1,325,957	......	2.6
5	Building equipment	D- 930	3,522	+	78,405	78,835	......	6.0
11	Electrical equipment	26,601	38,606	+45.1	594,348	596,575	6.0	8.6
9	Household equipment	1,939	3,998	+	40,750	39,255	6.3	13.6
25	Machinery	4,479	10,329	+	156,695	155,142	3.8	8.9
5	Office equipment	7,712	8,381	+ 8.7	82,085	85,133	12.5	13.1
8	Railway equipment	D-2,566	4,075	+	166,936	162,169	......	3.3
1	Autos—General Motors	38,388	109,620	+	992,305	1,027,817	5.2	14.2
6	Autos—other	D-6,331	D-1,319	—	75,091	71,531	......	......
20	Auto equipment	D-3,542	13,258	+	155,581	153,316	......	11.5
7	Aircraft and equipment	12,493	18,758	+50.1	84,708	101,399	19.7	24.7
16	Metal products—misc.	3,061	11,060	+	189,313	184,223	2.2	8.0
23	Misc. manufacturing	7,997	12,833	+60.5	267,380	265,412	4.0	6.5
273	Total manufacturing	279,344	562,085	+	9,782,140	9,573,073	3.8	7.8
9	Metal mining	14,252*	17,587*	+23.4	359,739	337,350	5.3	6.9
9	Coal mining	D-5,669*	D-2,766*	—	196,311	184,656	......	......
6	Mining, quarrying—misc.	9,090*	8,178*	—10.0	140,447	141,162	8.6	7.7
9	Trade	D- 768	1,280	+	92,487	92,763	......	1.8
14	Service	226	2,227	+	162,414	159,438	0.2	1.9
320	Total	$296,475	$588,591	+98.5	$10,733,538	$10,488,442	3.7	7.5

D- Deficit. *Before certain charges. †Increases or decreases of more than 100 per cent not computed.

Quarterly Trend of Profits

An index of the quarterly profits, computed from rate of return on net worth of a group of 200 large industrial companies, is given in the accompanying chart, together with the Annalist Index of Business Activity, both of which are seasonally adjusted.



Quarterly Index of Industrial Corporation Profits and The Annalist Index of Business Activity. 1926 = 100.

Preliminary figures show that profits in the third quarter were around the same level as in the second this year, against a usual seasonal decline, and accordingly the adjusted index rose. The present level of our index is about two-thirds that of the recovery peak in 1936-37, and is roughly comparable to 1935.

Change in Nine Months' Sales

Probably the most important factor in the recovery of earnings this year has been the marked increase in volume of sales, which also brought a lowering of unit costs of production, distribution and overhead. The effect of certain increases in labor, material and tax costs has been more than offset, in most cases, by the rising volume of business obtained this year, although the net effect of these influences (including the federal wages and hours legislation) over a longer term is difficult to appraise. In some industries, however, special factors caused a decrease in profits this year, an example being petroleum, where a weak price structure affected earnings.

Sales of a group of 40 large manufacturing companies, whose percentage changes are listed herewith, aggregated $2,820,000,000 for the first nine months of 1939, and were 17 per cent larger than the $2,400,000,000 total of a year ago. These figures represent goods actually shipped or billed, and therefore do not fully reflect new business taken during September.

Sales of the chain store, department store and mail order organizations for the nine months increased from $2,258,000,000 in 1938 to $2,482,000,000 this year, or by 10 per cent.

Inventory figures from published third quarter balance sheets, at present available for only a small sample of companies, indicate little increase of stocks to the end of September. Combined inventories of 45 leading manufacturing companies were approximately $334,000,000 on that date, which was $36,000,000 above the total on June 30, 1939, but only $14,000,000 above that of September 30, 1938. Nearly half of these companies had smaller inventories on September 30 this year than a year ago, despite the generally higher level of sales and orders. The high point in inventories of these companies in recent years was $428,000,000, on September 30, 1937.

Per Cent Change in Nine Months' Sales, 1938-1939

Manufacturing	
Air Reduction Co.	+13.8
Amer. Steel Foundries	+31.0
Atlantic Refining Co.	— 1.5
Atlas Powder Co.	+ 4.5
Beatrice Creamery Co.	— 1.9
Brunswick-Balke-Coll.	+30.9
Caterpillar Tractor	+19.6
Colo. Fuel & Iron	+42.6
Continental Oil Co.	— 1.7
Continental Steel	+40.1
Crown Cork & Seal	+10.2
E. I. du Pont & Co.	+25.6
Flintkote Company	+13.1
General Electric Co.	+13.2
General Foods Corp.	+ 9.1
General Motors Corp.	+33.4
Hazel-Atlas Glass	+ 6.4
Hercules Powder Co.	+18.6
Interchemical Corp.	+23.6
Interlake Iron Corp.	+30.6
Johns-Manville Corp.	+11.8
Kimberly-Clark Corp.	+ 4.4
Link Belt Co.	+16.3
Lone Star Cement	+ 2.8
Mid-Continent Petrol.	— 5.0
Minn.-Honeywell Reg.	+21.4
Monsanto Chemical Co.	+35.1
Otis Elevator Co.	— 6.4
Ruberoid Company	+18.3
Sharon Steel Corp.	+58.3
Shell Union Oil	— 3.9
Standard Brands	+ 1.4
Studebaker Corp.	+98.2
Thompson Products	+48.7
Tide Water Assoc. Oil	— 8.6
Union Bag & Paper	+ 3.0
United Aircraft	+27.4
Westinghouse Electric	+ 8.4
Wheeling Steel Corp.	+33.1
Yellow Truck & Coach	+28.4

Merchandising	
American Stores Co.	+ 2.3
Barker Bros. Corp.	+ 1.0
Bond Stores, Inc.	+19.0
Consol. Retail Stores	+ 7.3
Crown Drug Co.	— 4.8
Edison Bros. Stores	+ 3.2
M. H. Fishman Co.	+ 4.9
W. T. Grant Co.	+ 7.7
H. L. Green Co.	+ 9.1
Interstate Dept. Stores	+ 5.6
Jewel Tea Co.	+ 3.0
S. S. Kresge Co.	+ 4.4
S. H. Kress & Co.	+ 1.3
Kroger Groc. & Bak.	+ 4.2
Lane Bryant, Inc.	+ 4.6
Lerner Stores Corp.	+ 6.5
McCrory Stores Corp.	+ 7.1
McLellan Stores Corp.	+ 5.4
Melville Shoe Corp.	+ 5.9
Montgomery Ward	+15.5
G. C. Murphy Co.	+11.8
National Tea Co.	— 0.1
Neisner Bros. Inc.	+19.0
J. J. Newberry Co.	+ 7.6
J. C. Penney Co.	+10.3
Peoples Drug Stores	+ 5.1
Reliable Stores Corp.	+17.7
Rose's 5-10-25c Stores	+ 7.8
Safeway Stores, Inc.	+ 4.4
Schiff Company	+ 7.1
Sears, Roebuck & Co.	+21.6
Spiegel, Inc.	+ 2.8
Sterchi Brothers	+21.2
Union Premier Food	+32.3
Walgreen Co.	+ 6.7
Western Auto Supply	+25.5
F. W. Woolworth Co.	+ 5.5

Railroad and Utility Earnings

Freight and passenger revenues of all class 1 railroads this year have run consistently ahead of last year, with an aggregate gain of about 11 per cent for the first nine months. Although operating expenses also increased, the net operating income before interest charges rose by about 73 per cent. After payment or accrual of these charges, there was a net deficit of around $31,000,000 for the first nine months of this year, against a deficit of $177,000,000 in the same period of last year, and since last May the railroads, considered as a whole, have shown a small surplus. The greatest improvement in railroad gross and net income during recent months has occurred in the Eastern, North Central and Pocahontas Districts, where it reflects the recovery in general industrial activity. Railroad carloadings last month continued to rise after the usual seasonal peak and reached the highest level since 1930.

A group of 25 large utility systems, supplying electric power, gas and other services and reporting for the twelve months ended September 30, shows increases of about 4 per cent in

total operating revenues and 11 per cent in net income.

The American Telephone & Telegraph Company, with its principal telephone subsidiaries, reporting for the twelve months ended August 31, also shows increases of 4 per cent in total operating revenues and 11 per cent in net income.

Earnings of All Corporations

Last month the Treasury Department released a preliminary summary of its income statistics of all corporations in the United States for 1937. These returns, though late in becoming available, are of interest in that they provide the most complete and detailed information about corporate earnings that we have.

The figures show that of 477,838 active corporations filing reports in 1937, practically the peak of the 1932-37 business recovery, only about 40 per cent reported net earnings, the remainder being in the red. This proportion, it might be added, was somewhat less favorable than in 1936 when 42 per cent reported net income.

Gross operating income of all corporations in 1937 was approximately $140,000,000,000, which was $10,000,000,000 above the previous year, but the combined net profit, after tax, amounting to $6,554,000,000, was about the same as in 1936, and considerably below the levels of the best years of the 1920s. Excluding intercorporate dividends, which do not represent net income for the corporate systems as a whole and were not treated as statutory net income prior to 1936, the net profit in 1937 was $2,000,000,000 less than ten years earlier, although ordinarily over such a period the normal long-term growth would be expected to yield an increase.

Following are condensed summaries of earnings over the period 1927-37, both for all corporations and for the manufacturing corporations alone, which constitute the largest subdivision, while the diagram illustrates the changes graphically for the manufacturing and other principal groups, as they are classified by the Treasury:

All Active Corporations in the U. S.
(In Millions of Dollars)

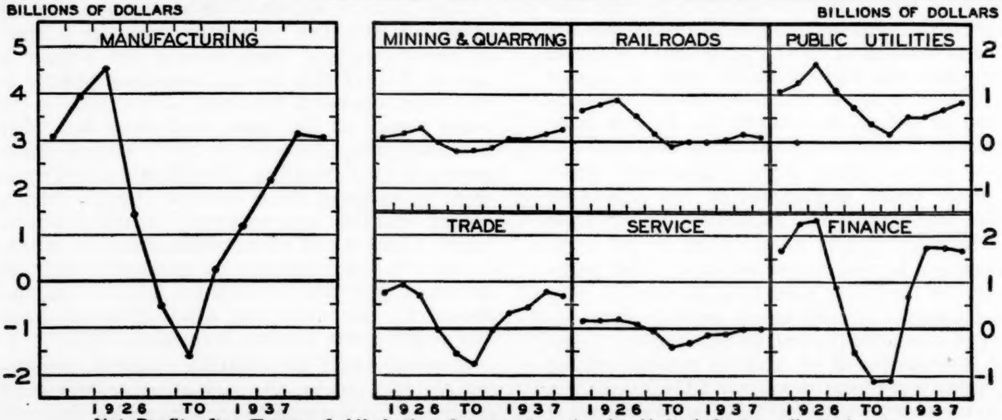
Year	Gross Oper. Inc.(a)	Total Taxes Paid(b)	Net Inc. after Tax(a)	Net to Gross Income	Net Worth Jan. 1	Net Profit after Tax(c)	Net Profit to Worth
1927	$143,241	$3,145	$5,880	4.1%	$119,260	$7,538	6.3%
1928	151,388	3,387	7,566	5.0	132,408	9,483	7.2
1929	158,565	3,415	8,084	5.1	142,887	10,677	7.5
1930	134,017	3,009	1,366	1.0	160,369	3,937	2.4
1931	106,088	2,630	–3,145	–3.0	161,282	–1,176	–0.7
1932	80,378	2,373	–5,375	–6.7	143,363	–4,115	–2.9
1933	83,208	2,547	–2,379	–2.9	133,569	–1,353	–1.0
1934	99,278	2,758	162	0.2	127,578	2,379	1.9
1935	111,636	3,363	1,674	1.5	141,585	4,688	3.3
1936	130,046	4,149	3,903	3.0	138,931	6,580	4.7
1937	139,761	4,942	3,872	2.8	133,468	6,554	4.9

All Manufacturing Corporations in the U. S.
(In Millions of Dollars)

Year	Gross Oper. Inc.(a)	Total Taxes Paid(b)	Net Inc. after Tax(a)	Net to Gross Income	Net Worth Jan. 1	Net Profit after Tax(c)	Net Profit to Worth
1927	$63,439	$1,065	$2,673	4.2%	$46,273	$3,050	6.6%
1928	66,893	1,118	3,460	5.2	48,050	3,935	8.2
1929	71,640	1,161	3,954	5.5	50,017	4,537	9.1
1930	60,428	952	877	1.5	52,695	1,424	2.7
1931	43,716	731	– 913	–2.1	52,122	– 521	–1.0
1932	31,845	647	–1,827	–5.7	47,640	–1,616	–3.4
1933	35,070	853	77	0.2	43,976	237	0.5
1934	40,768	832	778	1.9	43,342	1,166	2.7
1935	47,334	1,315	1,509	3.2	38,152	2,122	5.6
1936	56,431	1,648	2,570	4.6	37,611	3,116	8.3
1937	61,950	2,059	2,545	4.1	38,467	3,069	8.0

Source: Compiled from Statistics of Income, Treasury Department. – Deficit (a) Includes tax-exempt interest received, but excludes intercorporate dividends received. (b) Includes federal normal tax, surtax on undistributed profits and excess profits tax; also state, local and other taxes. (c) Includes intercorporate dividends received.

We have space at this time for only passing comment upon the highly uneven changes that have taken place during the past decade in the profits trend among the major divisions of business. In the manufacturing industries, the swift change from net profits of over $4,500,000,000 in 1929 to a deficit of $1,600,000,000 in 1932, followed by a rebound to over $3,000,000,000 in 1936-37, emphasizes the need for taking



Net Profit after Taxes of All Active Corporations in the United States. (Includes tax-exempt interest and intercorporate dividends received.)

into account the average results over a period of years, including both the good and the poor, when judging the rate of earnings.

In most groups other than manufacturing, the decline in earnings was less abrupt. In some cases, such as the class 1 railroads, there has been even up to the present time only limited recovery from the depression, while for other transportation and utilities the trend has been more favorable.

The trade division, including wholesale, retail, commission, etc., appears to have been among the more successful in reestablishing its earlier rate of earnings. In the service industry group, including professional services, amusements, hotels, restaurants, etc., the recovery of earning power has been slow.

In the finance division, where profits declined sharply due to losses on loans and investments, as well as to decreased earnings from interest and dividends, the recovery in some lines, such as insurance, sales finance companies and security holding companies, has been much greater than that in banking, real estate and security distribution.

In practically every division of corporate business, the reported earnings in recent years have been raised as a result of the widespread and heavy scaling down of assets, capital and, in many cases, indebtedness, during the depth of the depression. This lowered depreciation, interest and other charges, and made it easier for companies which had taken such action to show net profits. Another factor in the increase of reported profits is the changes which were made in 1934 and 1936 in the form of tax returns and method of compiling the statistics, by which consolidated returns were prohibited and separate returns for subsidiaries tended to duplicate or even multiply the profits of an affiliated group of companies.

The Situation in Shipping

The outbreak of war in Europe has focussed attention upon shipping and raised a question as to how far difficulties experienced during the last war may be repeated. While it is still too early to give final answer to this question, practically over night the problem of dealing with a surplus of tonnage has become one of overcoming a shortage caused by the laying up of many ships in home and neutral harbors and by the diversion of others from regular trade routes. Reflecting both the suddenly developed shortages and higher labor, insurance and other costs under war conditions, freight rates have soared, advancing 100 per cent or more in some cases, with passenger rates also sharply higher.

In view of the importance of shipping to the continuance of international trade, a brief review of the shipping situation at the outbreak of war is pertinent.

World Merchant Marine — 1914-1939

To begin with, what is the present size and distribution of world merchant tonnage, and how do the figures compare with those of 1914?

World Merchant Marine 1914-1939

(Thousands of Gross Tons—Steam and Motor Vessels 100 Tons and More)

	Existing Tonnage 1914 June 30	Existing Tonnage 1939 June 30	Launchings† 1914	Launchings† 1938
Belligerents				
United Kingdom*	18,892	17,891	1,684	1,030
British Dominions	1,631	3,111	47	30
France	1,922	2,934	114	47
Allied Powers	22,445	23,936	1,845	1,107
Germany**	5,135	4,483	387	481
Neutrals				
United States—Sea-going	2,027	8,910	163	163
Lakes	2,260	2,452	37	38
Total	4,287	11,362	200	201
Norway	1,957	4,835	54	55
Italy	1,430	3,425	43	94
Netherlands	1,472	2,970	118	240
Greece	821	1,781	......	......
Sweden	1,015	1,577	15	166
Denmark	770	1,175	32	158
Japan	1,708	5,630	86	442
All Others	4,364	7,335	73	90
Total Neutrals other than U. S.	13,537	28,728	421	1,245
Grand Total	45,404	68,509	2,853	3,034

†All vessels. *Including Ireland. **Including Danzig. Source: Lloyd's Register of Shipping.

As indicated by the table, the total world merchant fleets on June 30, 1939, aggregated 68,500,000 gross tons, which was about 50 per cent larger than the 45,400,000 gross tons in 1914. Tanker tonnage alone increased eightfold.

Tonnage of the United Kingdom and the British Dominions, while far larger than that of any other country, was but little larger than in 1914; and if Canadian lake vessels are excluded was probably about the same as in 1914. The great increase that has taken place in overall tonnage has been in the fleets of the neutral countries, particularly those of the United States, Norway, Italy and Japan. Taking the neutral countries together, their tonnage is more than double that of 1914.

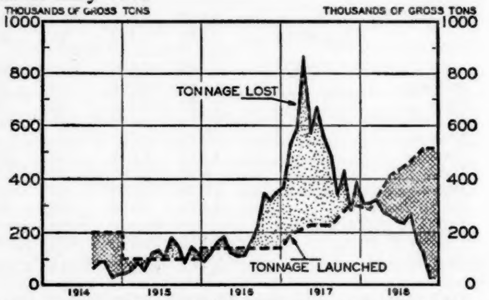
Not only has the total tonnage greatly increased, but its efficiency has been enhanced by newer vessels with greater speed and generally improved operation. Allowing for this and for the fact that the physical volume of world trade has risen probably not more than 20 per cent since 1914, it would appear that the shipping industry is in far better shape to cope with abnormal war demands now than it was then.

The Question of War Losses

To what extent this will prove to be the case cannot be foretold with certainty, owing to many conditions not now measurable.

There is, for example, the question of losses due to mines, submarines and other commerce raiders. During the last war vessels lost

through enemy action totalled approximately 6,600, aggregating 12,850,000 gross tons, or more than a fourth of the original tonnage of June, 1914. As will be seen from the following diagram, losses were heaviest in the Spring of 1917, following the announcement by Germany of unrestricted submarine warfare. They reached peak in April of that year, when some 866,000 tons were sunk, but following the introduction of the convoy system in May, declined steadily and by the Spring of 1918 were being counter-balanced by new launchings. Of a total of about 90,000 vessels under British convoy during the war, losses amounted to only 436.



War Losses and Shipbuilding During the World War.

During the first two months of the current war, including the period before the convoy system could be put into operation, reported losses of merchant ships were 91 ships, aggregating 370,000 tons, of which 49 ships of 229,000 tons were British. While this is larger than the 1914-15 rate of sinkings, it is far below the maximum rate of 1917, and less than the present rate of world launchings running above 200,000 tons per month.

Influence of Tie-up Tonnage and Lessened Operating Efficiency in War-Time

More important than actual sinkings to date has been the impairment of world shipping facilities due to detention of vessels in harbors and to lessened efficiency of fleets operating under war conditions. The German fleet, of course, is out of the picture as far as areas outside the Baltic are concerned, while both Great Britain and France have withdrawn some of their largest liners from regular service and have in addition requisitioned considerable tonnage as troop ships or as naval auxiliaries.

Efficiency of shipping is unavoidably impaired by the convoy system, first, because of the delay incident to assembling the convoy, and, second, because of the reduction of the speed of the convoy to that of the slowest ships.

Efficiency suffers also from the disruption of normal trade routes, due to blockades and danger zones, with the result that cargo often has to be carried longer distances, which of course ties up more ships. At the present time, for example, much of the shipping that normally comes by way of the Suez Canal and the Mediterranean from the Far East is being diverted around the Cape of Good Hope.

Belligerent countries naturally are likely to feel the pinch of any shipping shortage more acutely than other important maritime nations. With about a million less tonnage than in 1914, Great Britain has about 30 per cent more physical volume of foreign trade and must feed some 4,000,000 more people accustomed generally to a higher standard of living. In point of numbers, the British merchant fleet is some 2,000 fewer than in 1914, due partly to the building of larger ships.

Notwithstanding the failure of British tonnage to keep pace since 1914, launchings last year were 40 per cent smaller than pre-war, but this is now being remedied, a program of intensive new construction having been started last Spring under governmental assistance.

Availability of Neutral Tonnage

Still a third question relates to the availability of neutral tonnage, more particularly as regards voyages to European ports.

In the case of Japan—one of the countries showing the largest increase in tonnage since 1914—the requirements of the war in China, together with the growth of Japanese coastal trade and trade within the yen bloc, have imposed a severe strain upon Japanese shipping with the result that, far from having any surplus to spare, Japan has had to charter additional foreign tonnage.

The United States, of course, shows the largest increase of all countries in tonnage compared with 1914. Excluding Lake vessels, the seagoing American tonnage more than quadrupled, rising from a little over 2,000,000 to nearly 9,000,000. The following table shows the kinds and disposition of tonnage of larger vessels (1,000 tons or more) as of June 30, last:

Disposition of American Seagoing Merchant Vessels As of June 30, 1939
(Steam and Motor Vessels of 1,000 Gross Tons and Over)

	Number	Tonnage
Engaged in Foreign Trade		
Passenger—cargo vessels	78	703,000
Freighters	193	1,038,000
Tankers	48	353,000
Total	319	2,094,000
Engaged in Coastwise Trade		
Passenger—cargo vessels	53	299,000
Freighters	416	1,878,000
Tankers	304	2,127,000
Total	773	4,304,000
Laid up (all classifications)	306	1,736,000
Total Seagoing	1,398	8,134,000

As the table indicates, the greater part of American shipping is engaged in coastwise trade, divided about half and half between tankers and other vessels. Something over 2,000,000 tons was employed last June in foreign trade, and approximately 1,700,000 tons

was laid up. American overseas tonnage has, indeed, undergone a large increase since 1914, the above total of 319 ships of over 2,000,000 tons comparing with less than 100 ships of about 500,000 tons twenty-five years ago.

Including laid-up and coastal tonnage, the United States possesses a large quantity of shipping that doubtless could be employed to a greater extent in carrying foreign trade. Most of this tonnage, however, like a great part of the remaining American merchant marine, was built during or immediately after the last war, and in view of the technical advance since then in construction and motive power of vessels, must now be considered in obsolescence.

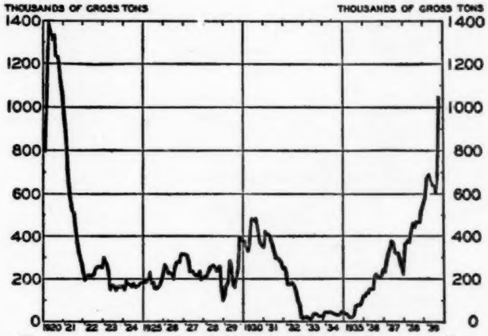
Moreover, the availability of American shipping is dependent upon American neutrality policies with respect both to types of cargo and permitted areas of operation. Thus, it has been estimated that under the neutrality act revision bill now pending before the United States Senate, the terms as originally proposed might have affected and rendered idle over 130 vessels of more than a million gross tons—fully one-half of our existing merchant fleet in foreign trade. While the more recent tendency has been to liberalize these terms, nevertheless even under the bill as finally voted by the Senate the barring of our vessels from belligerent ports in Europe and possibly from European waters generally threatens to immobilize a very important segment of our shipping unless opportunities can be found for its employment elsewhere.

American Shipbuilding Program

Ever since the last war the American merchant fleet has been operating under difficult conditions due to general excess of world shipping facilities and to our high costs in relation to other countries, so that its modernization has been dependent to a large extent upon government aid. As the international situation became more strained, Congress embarked upon a more aggressive shipping policy with the view to assuring us an adequate merchant marine in the event of war and for serving as an auxiliary to the Navy. It was stated in 1937 by the Maritime Commission that requirements for national defense called for at least 1,000 auxiliary vessels against which we had 1,400 usable seagoing craft, including those laid up, leaving only 400 vessels available for foreign trade in case of war involving us.

Consequently, under the Merchant Marine Act of 1936, as subsequently amended, a systematic long-range program of building modern, and retiring obsolete, ships was worked out, which has the government financial aid on account of its contribution to the national defense. The Act is being administered by the Maritime Commission, now under the chairmanship of Rear Admiral Emory S. Land (retired).

Responding to the emergency created by the war, the Maritime Commission in September asked for bids on 33 additional cargo or combination passenger-cargo vessels of 6,000 to 8,000 gross tons each, at an estimated cost of around $2,000,000 apiece. On October 26, the total of new ships contracted for under the building program, either for the Commission's own account or in conjunction with private operators, was 141 and the total cost in excess of $300,000,000. Thus far 26 of these ships have been launched. The S.S. America, which was contracted for in the Fall of 1937 and was launched this Fall, is the largest passenger vessel ever built in this country — costing approximately $17,000,000, and having a gross tonnage estimated around 30,000 and speed of 22 knots.



Tonnage of Merchant Vessels Under Construction in the U. S.

The latest contracts will carry the new building program well ahead of its original schedule of 50 ships a year and will further increase activity in American shipyards, already at comparatively high levels. On October 1, American yards were building, in addition to their increased work for the Navy, 130 seagoing merchant vessels, aggregating 1,029,000 tons, which compared with 53 vessels aggregating 438,000 tons one year previous and were the largest since 1921. The resultant rise in employment, and in expenditures for a great variety of materials and supplies, has brought shipbuilding again to the fore as one of our most active industries.

Meantime, shipping men are in a quandary as to what is to be done with all this new tonnage, including the liner America, under the proposed neutrality program. Evidently the law, if passed, will deal a heavy blow to companies operating on proscribed routes, with accompanying widespread unemployment among crews and other workers directly or indirectly dependent upon shipping. To what extent it will be possible to divert shipping into other areas, and how this will affect competitive conditions in those areas, is not yet clear. This, however, is a short term rather than a long term problem to which the creation of a merchant marine is directed.

The National City Bank of New York

Head Office · 55 WALL STREET · *New York*

Condensed Statement of Condition as of September 30, 1939

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS

Cash and Due from Banks and Bankers		$ 891,598,509.65
Gold Abroad or in Transit		2,657,039.00
United States Government Obligations (Direct or Fully Guaranteed)		656,804,292.59
Obligations of Other Federal Agencies		53,624,719.75
State and Municipal Securities		109,941,270.09
Other Securities		78,099,589.89
Loans, Discounts and Bankers' Acceptances		506,089,578.12
Real Estate Loans and Securities		8,515,378.07
Customers' Liability for Acceptances		11,654,768.43
Stock in Federal Reserve Bank		3,735,000.00
Ownership of International Banking Corporation (Including Paris Office)		8,000,000.00
Bank Premises		43,227,201.28
Other Real Estate		606,258.30
Other Assets		919,638.22
Total		$2,375,473,243.39

LIABILITIES

Deposits		$2,197,830,130.33
Liability on Acceptances and Bills	$32,187,652.54	
Less: Own Acceptances in Portfolio	14,923,825.87	17,263,826.67
Items in Transit with Branches		8,805,356.20
Reserves for:		
Unearned Discount and Other Unearned Income		4,090,899.67
Interest, Taxes, Other Accrued Expenses, etc.		7,089,571.42
Dividend		1,550,000.00
Capital	$77,500,000.00	
Surplus	47,000,000.00	
Undivided Profits	14,343,459.10	138,843,459.10
Total		$2,375,473,243.39

Figures of Foreign Branches are as of September 25, 1939.

$51,800,270.60 of United States Government Obligations and $34,142,907.54 of other securities are deposited to secure $60,917,576.60 of Public and Trust Deposits and for other purposes required by law.

(Member Federal Deposit Insurance Corporation)

City Bank Farmers Trust Company

Head Office · 22 WILLIAM STREET · *New York*

Condensed Statement of Condition as of September 30, 1939

ASSETS

Cash and Due from Banks	$35,825,538.60
United States Government Obligations (Direct or Fully Guaranteed)	29,550,445.79
Obligations of Other Federal Agencies	3,485,057.43
State and Municipal Securities	7,876,110.72
Other Securities	2,801,760.63
Loans and Advances	5,132,452.59
Real Estate Loans and Securities	7,174,036.23
Stock in Federal Reserve Bank	600,000.00
Bank Premises	4,043,846.25
Other Real Estate	550,039.79
Other Assets	1,786,167.90
Total	$98,825,455.93

LIABILITIES

Deposits	$70,143,714.51
Reserves	3,812,573.49
Capital	10,000,000.00
Surplus	10,000,000.00
Undivided Profits	4,869,167.93
Total	$98,825,455.93

$1,520,000.00 of United States Government Obligations are deposited with public authorities for purposes as required by law.

(Member Federal Deposit Insurance Corporation)

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